

Message Text

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12

ACTION NEA-06

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FM AMEMBASSY TEL AVIV

TO USDEL ASWAN IMMEDIATE

SECSTATE WASHDC IMMEDIATE 5884

INFO AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY DAMASCUS

AMEMBASSY CAIRO

C O N F I D E N T I A L TEL AVIV 1518

LIMDIS

ASWAN PLEASE PASS SECRETARY'S PARTY

E.O. 11652: GDS

TAGS: EGEN, ETRD, IS

SUBJ: ARAB BOYCOTT OF ISRAEL

REF: TEL AVIV 1136 AND 5350 (NOTAL)

1. AT LUNCH ON MARCH 6 DAN HALPERIN, MINISTRY OF FINANCE COORDINATOR FOR BOYCOTT QUESTION, GAVE US CURRENT ISRELI THINKING ON SUBJECT. REFERRING TO PRESIDENT FORD'S STATEMENT ON FEB 26, HE SAID GOI'S OFFICIAL RESPONSE WAS CONVEYED TO PRESIDENT IN WASHINGTON MARCH 3 BY PRESIDENT KATZIR WHO EXPRESSED "WARM GRATITUDE FOR PRESIDENT'S NOBLE DECLARATION WHICH IS CONSISTENT WITH TRADITIONAL AMERICAN POLICY BASED ON JUSTICE AND MORALITY."

2. HALPERIN SAID THAT THERE WAS GROWING BELIEF IN ISRAEL THAT BOYCOTT HAD GONE BEYOND ECONOMIC WARFARE AGAINST ISRAEL AND WAS NOW DIRECTED AGAINST JEWS EVERYWHERE. GOI WAS UNDER HEAVY PRESSURE FROM PRESS AND PUBLIC TO TAKE
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MORE EFFECTIVE COUNTER ACTION. HE CITED IN THIS REGARD

MARCH 6 ARTICLE IN HAARETZ BY GENERAL (RET) HAIM HERZOG WHO CHARGED GOI AND WORLD JEWISH ORGANIZATIONS WITH APATHY AND LACK OF LEADERSHIP IN OPPOSING GROWING THREAT OF BOYCOTT.

3. TURNING TO IMPACT ON AMERICAN BUSINESS, HALPERIN SAID THAT HIS OFFICE HAS IDENTIFIED ABOUT TEN CASES INVOLVING US FIRMS WHERE HE BELIEVES DECISIONS WERE CLEARLY AFFECTED BY FEAR OF BOYCOTT. HE SUSPECTS, HOWEVER, THEY ARE SEEING ONLY TIP OF ICEBERG, PARTICULARLY WITH REGARD TO FIRMS NOT ALREADY DOING BUSINESS WITH ISRAEL. HE SAID THAT WHILE MOST FIRMS WITH LONG-ESTABLISHED RELATIONS WITH ISRAEL ARE CONTINUING THEIR RELATIONSHIP, VERY FEW NEW TRADE AND INVESTMENT TIES ARE BEING ESTABLISHED. NORMALLY THERE IS NOT AN OPEN REFUSAL TO DO BUSINESS WITH ISRAEL. HE CITED EXAMPLE OF LETTER IN HIS POSSESSION FROM A MAJOR US FIRM ADDRESSED TO PROSPECTIVE ISRAELI CUSTOMER WHICH STATES: "SINCE OUR INITIAL CORRESPONDENCE, WE HAVE BEEN THROUGH AN EXTENSIVE REVIEW OF OUR INTERNATIONAL BUSINESS STRATEGY. AS RESULT OF THIS REVIEW, WE HAVE DECIDED, FOR MANY REASONS, TO CURTAIL ANY FURTHER INTERNATIONAL EXPANSION FOR FORESEEABLE FUTURE." HE DISPLAYED TWO OTHER LETTERS IN WHICH US FIRMS FRANKLY ADMIT THEY DO NOT WISH TO TRADE WITH ISRAEL.

4. HOWEVER, PICTURE IS NOT ALL BLACK. RECENTLY BOTH RAYTHEON AND FMC (SEE TEL AVIV 5350) HAVE TAKEN STEPS TOWARD RESTORATION OF FORMER CLOSE RELATIONS WITH ISRAEL. IN BOTH CASES, HE SAID, IMPROVEMENT WAS RESULT OF PRESSURE FROM "FRIENDS IN US" AND DIRECT CONTACT BY GOI. FOR EXAMPLE, DEFENSE MINISTER PERES SAW PRESIDENT OF FMC WHEN HE WAS IN ISRAEL LAST MONTH WITH TIME MAGAZINE GROUP. HOWEVER, GOI IS CONVINCED THAT "QUIET DIPLOMACY" ALONE CANNOT BE EFFECTIVE AGAINST BOYCOTT. LEGISLATION OR OTHER MEANS MUST BE OBTAINED WHICH IMPOSES PENALTY FOR SINNING. HE STRESSED THAT FIRMS CAN SUCCESSFULLY RESIST ARAB BOYCOTT, CITING HILTON AND SHERATON HOTELS WHO REFUSED TO KNUCKLE UNDER AND ARABS BACKED DOWN IN END. HE BELIEVES THAT WITH A FIRMER LEGAL BASIS FOR RESISTING BOYCOTT, MANY MORE FIRMS WOULD DO SO.

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5. WITH REGARD IMMEDIATE FUTURE HE SAID GOI FELT IT EXTREMELY IMPORTANT TO HAVE STRONG CLAUSE AGAINST BOYCOTT IN COMMUNIQUE TO BE ISSUED AT MEETING OF US/ISRAEL JOINT COMMITTEE. HE NOTED ALSO THAT ISRAELIS WILL MAKE DETERMINED EFFORT TO OBTAIN COMMITMENT ON BOYCOTT IN SECOND STAGE AGREEMENT WITH EGYPT. AT VERY LEAST EGYPT COULD TELL US THAT IT WOULD NOT "ENFORCE"

SECONDARY BOYCOTT, DESPITE WHAT IT MIGHT CONTINUE TO SAY PUBLICLY IN SUPPORT OF BOYCOTT.

6. COMMENT: WHILE HARD EVIDENCE ON EFFECT OF BOYCOTT IS HARD TO COME BY, THERE ARE NOW MORE INDICATIONS THAT ITS IMPACT IS GROWING. WE BELIEVE BOYCOTT WAS AT LEAST ONE OF FACTORS BEHIND RELUCTANCE OF US FIRMS TO PARTICIPATE IN RECENT USG TRADE PROMOTION EVENTS IN ISRAEL. WE HAVE ALSO NOTICED WHAT APPEARS TO BE DECLINING INTEREST BY AMERICAN FIRMS IN BIDDING FOR LARGE DEVELOPMENT PROJECTS IN ISRAEL. OTHER US FIRMS HAVE INFORMED THEIR ISRAELI CUSTOMERS THAT THEY WOULD CONTINUE TO SELL TO ISRAEL BUT ONLY THROUGH THEIR FOREIGN SUBSIDIARIES OR UNDER CAMOUFLAGE OF SOME OTHER ORGANIZATION. EUROPEAN FIRMS HAVE HAD LONGER EXPERIENCE OF DEALING WITH ISRAEL THROUGH FRONT INSTITUTIONS. RECENTLY WE HAVE LEARNED OF TWO LARGE GERMAN FIRMS WHICH HAVE DISCONTINUED LONG-ESTABLISHED RELATIONSHIPS WITH ISRAEL. THESE INDICATIONS PLUS REPORTS FROM ARAB BOYCOTT MEETING IN CAIRO SUGGEST THAT ISRAELIS HAVE AMPLE GROUNDS FOR CONCERN.
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